



BEWARE OF 'EASY MONEY' IN HARD TIMES

It's been said that desperate times call for desperate measures. That sums up the financial philosophy too many people feel forced into when economic times are tough. In order to get by, they do things they wouldn't ordinarily consider. They turn to what appear to be quick and easy ways to get the cash they need. Unfortunately, the result can be a negative impact on their personal finances that won't go away quickly or easily.

If you're struggling financially, your first step should be to talk with someone who can help. You can use your EAP to reach a personal financial counselor. The counselor will talk with you about budgeting, debt and other financial issues in order to come up with a plan that fits your situation. Even if you're not struggling but want to make adjustments in your finances, a counselor can be very helpful. Call your EAP today!

You may feel you're at a financial crisis point already and need to do something right away. Usually, the better off financially you were before the crisis hit, the more options you have. But there's no shortage of businesses claiming to toss lifelines to people in economic distress. Some cater to those who are the most desperate. They offer loans with no bank application and say even those with bad credit or no credit can get cash. But be wary of these offers.

No matter what your financial situation, there are financial survival strategies that should be approached with great caution or avoided altogether. Here are several to beware of:

- » **Borrowing from your 401K:** There are circumstances under which it is an appropriate and sensible thing to do. But don't do this without careful consideration and a clear understanding of what the consequences are. Talk to a financial counselor about when you're allowed to borrow from the retirement account, when you'll have to pay it back and what the penalties are if you fail to pay it back on time.
- » **Living off credit cards:** This may appear to be an easy way to weather a financial storm. You put everything on the card or get a big cash advance. You make the minimum payments each month until you're back on your feet and can pay it off. But that balance builds quickly, and making minimum payments doesn't put much of a dent in it. According to Federal Reserve's credit card repayment calculator (you can find it at <http://www.federalreserve.gov/creditcardcalculator/Default.aspx>), if you made minimum payments on a credit card balance of \$10,000 at 19.75 percent interest it would take 63 years to pay it off, and you would have paid a total of \$42,945 in interest.
- » **Payday loans:** Most people who get payday loans literally live paycheck to paycheck and borrow relatively small amounts when they're in the hole. They write a post-dated check or authorize an electronic withdrawal from their bank account for the amount borrowed plus a fee. Sounds like a good deal, but the nonprofit Americans for Fairness in Lending says that by the time fees and late charges are added, the average payday borrower shells out \$793 to repay a \$325 loan.
- » **Car title loans:** These also are short-term loans that appeal to people who need money quickly. If your car is paid for, you can sign over the title as collateral for a loan that will be repaid within 30 days. However, calculating the annual percentage rate of the loan may show an interest rate of 200 percent or higher. Repaying this kind of loan becomes very difficult if you fall behind.

Some solutions to financial problems sound too good to be true. In fact, the ones that sound the most inviting can be truly bad deals. Before you fall for one of those or make a move that may have a significant impact on your personal finances, get good financial advice through your EAP. That way, you'll know exactly what the deal is.

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Are you looking for a solution that won't make your financial problems worse? Call your EAP!

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